

Inquiry Manager  
NIE Price Determination  
Competition Commission  
Victoria House  
Southampton Row  
London  
WC1B4AD

22 November 2013

Dear Sirs

## **Response to the RP5 Competition Commission (CC) Provisional Determination**

### **Introduction**

Simple Power is a medium scale (up to 250kW) wind turbine developer in Northern Ireland. This note has been prepared as our response to the CC provisional determination. The note highlights our concerns with respect to the lack of any provision for network investment to facilitate the connection of small scale generation to the distribution network.

### **Background**

The current support level for small scale renewables was introduced by the DETI minister in April 2010. This was set at 4 ROC's for schemes up to 250kW. The level recognised the support needed to encourage the development of small scale renewable technologies. Subsequently the governments energy strategy for NI; The Strategic Energy Framework (SEF), was published in September 2010 and set the target of 40% of electricity consumption in NI to be provided by renewable sources by 2020. In meeting the target the SEF recognised that many renewable technologies, including small scale renewables, would have to play a part.

It is widely accepted that the distribution network, particularly that in NI, was not designed for the connection of large amounts of distributed generation (DG). Accepting the network as it is, Simple Power believe that its capability to handle the connection of increasing amounts of DG could be greatly enhanced, not at excessive cost, by applying Smart technologies and by applying regimes of network operation outside of the traditional conservative norms. In fact the need in NI is probably greater than a good part of GB because of the very distributed nature of the rural network here. We also believe that such technologies and modes of network operation are already being utilised by GB DNO's, albeit to varying degrees.

### **Detailed Response**

- In GB, over the past 4 years, the DNO's have had access to the Low Carbon Networks Fund (LCNF), established by Ofgem. This fund was put in place to drive innovation and new technology to deliver the networks of the future, encouraging and enabling the transition to a low carbon economy.
- The DNO's undertook many projects funded through the LCNF, a significant number of these aimed at facilitating the connection of renewable generation. For example, Electricity North West (ENW) established their Capacity to Customers (C2C) programme; the various projects are

now rolled out across their network. This has enabled them, in the past year, to connect around 180MW of distributed generation to their distribution network without major network upgrades. The projects were relatively simple and extremely cost effective, utilising technology and flexible operating regimes to maximise the capacity of their existing network. This avoided expensive network upgrades having to be either financed by connection applicants or the general body of customers.

- In Northern Ireland there was no equivalent of the LCNF. Unlike the DNO's NIE have had no real incentive for innovation so they have fallen behind in term of innovative solutions to network challenges. This means that NIE apply very conservative, inflexible assumptions when designing connections for small scale generators often resulting in extremely expensive connection quotations because of the network upgrade costs being charged to applicants. This fact is the major block currently on the growth of small scale generation. It is likely that if NIE applied the initiatives that ENW have applied to their network, a significant amount of generation could be connected without expensive network upgrades.
- NIE are happy to investigate the ENW initiatives and have also established a project to look at the potential for a constrained- access regime for renewable generators. The problem with this is that solutions are going to emerge over the next few years and potential investment has not been included in the capex programme currently being considered as part of the RP5 process. While an upfront allowance has been included for potential smart grid initiatives the Competition Commission provisional determination does not seem to include (for the distribution network) a change mechanism whereby additional projects can be submitted to the Regulatory Authority for consideration over the period of the price control. For small scale renewable generation it is considered that such a mechanism is an absolute essential, and in the public interest, because of the emerging nature of cost effective Smart solutions to allow the economic connection of increasing amounts of generation to the distribution system.
- In the provisional determination, under the heading Government Energy Policy, paragraph 2.36 contains the following; *'A consequence of increased renewable generation is that the electricity transmission and distribution networks will be likely to need to be updated and reinforced to cope with the incorporation of often small scale generation (such as small wind farms) in dispersed areas. The quantities of generated electricity to be carried at points in the network, and the directions of the flow, can change substantially. Furthermore, the quantity, location and timing of these investments is uncertain.'* This statement recognises that the detail of required investment is uncertain at this time and underlines the need for a mechanism whereby projects can be submitted to the Regulatory Authority for consideration during the course of the RP5 price control period.
- We note in paragraphs 9.116, 9.117, 9.118 of the Provisional Determination the issue of the 33kV network limitations for small scale generation being outlined. Just prior to the provisional determination NIE submitted a figure of £30m as being required to reinforce the 33kV network over the next 3 years. It is Simple Power's view that the same capacity could be made available on the 33kV network, to connect renewable generation, at a cost much less than the £30m estimated for network upgrade. This could be achieved through the deployment of Smart initiatives similar to those utilised by ENW. To enable this two things need to be established; (a) The price control structure needs to make provision for a distribution network change mechanism, as described in the previous section and (b) A proportion of the £30m, proposed by

NIE, needs to be set aside to finance possible additional projects. This would be in addition to the amount already proposed for innovation.

- In paragraphs 9.57-9.67 of the provisional determination, project D48-11kV Network Performance is considered. The decision was that, on balance, the investment was not so compelling that it should be allowed as in the public interest. To a degree the ENW Smart initiatives are enabled by the roll out of network remote control and automation on their 11kV network. If the project D48 had the added benefit of facilitating the connection of additional quantities of small scale renewable generation, then this might sway the balance towards it being in the public interest or at least some proportion of it. We would urge that the door be left open for such investment if it can be clearly justified.

### **Conclusions**

- NIE are a number of years behind the GB DNO's when it comes to applying Smart initiatives to their electricity network. This is particularly true with respect to enabling these networks to handle increasing quantities of distributed generation without major network upgrade.
- There appear to be simple, cost effective solutions being applied on other networks in GB that would greatly benefit the small scale renewable industry in N Ireland if applied to the electricity network here.
- It is our view that it is in customers/public interest to include a mechanism in the RP5 price controls where projects to apply such solutions can be submitted by NIE to the Regulatory Authority for consideration during the course of the RP5 price control period.
- With respect to the proposals submitted by NIE for reinforcement of the 33kV network to allow the connection of small scale generation, having seen what companies such as ENW have done, it is the view of Simple Power that the same capacity can be made available on the 33kV network, to connect renewable generation, at a cost that would be much less than the estimated £30m upgrade cost.

**Philip Rainey**

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Simple Power Limited